United Nations A/58/737

General Assembly

Distr.: General
15 March 2004

Original: English

Fifty-eighth session
Agenda items 118 and 134

Financial reports and audited financial statements, and reports of the Board of Auditors

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ending 30 June 2003

Report of the Secretary-General

Summary

In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General to report to it on the measures taken or to be taken to implement the recommendations of the Board of Auditors at the same time that the report of the Board was submitted to the Assembly. Accordingly, the present report is submitted in response to the recommendations of the Board of Auditors contained in its report on the accounts of the United Nations peacekeeping operations for the 12-month period ending 30 June 2003.

A great majority of the comments of the Secretary-General are duly reflected in the report of the Board of Auditors. The present report therefore addresses only those recommendations that require further comments from the Administration, particularly on issues related to the replenishment of strategic deployment stocks, the presentation of financial statements, allotment procedures and human resources management.

04-27158 (E) 310304

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General to report to it on the measures taken or to be taken to implement the recommendations of the Board of Auditors at the same time that the report of the Board was submitted to the Assembly. Accordingly, the present report is submitted in response to the recommendations of the Board of Auditors contained in its report on the accounts of the United Nations peacekeeping operations for the 12-month period ending 30 June 2003.[1]

2. In the preparation of the present report, account was taken of the provisions of the following General Assembly resolutions:

(a) Resolution 50/204 A of 23 December 1995 (in particular para. 4 regarding implementation of the recommendations of the Board of Auditors);

(b) Resolution 51/225, section A, of 3 April 1997 (in particular para. 10 regarding the timetable for the implementation of recommendations of the Board);

(c) Resolution 52/212 B of 31 March 1998 (in particular paras. 2-5) and the note by the Secretary-General transmitting the proposals of the Board for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex);

(d) Resolution 56/233 B of 27 June 2002 (in particular para. 3), in which the Assembly endorsed the recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/56/887, para. 11) on the preparation of the reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors.

3. The responses of the Administration to the recommendations of the Board of Auditors fall under the responsibility of the Under-Secretary-General for Peacekeeping Operations and the Assistant Secretaries-General of the Office of Programme Planning, Budget and Accounts and the Office of Central Support Services. Any further development or progress with regard to the implementation of the Board's recommendations will be reported to the General Assembly as and when required.

II. Implementation of the recommendations of the Board of Auditors

4. **In paragraph 32 of its report,[1] the Board of Auditors recommended that the Administration monitor the redeployment of allotments continuously throughout the year to ensure that resources were prioritized according to the efficient delivery of outputs and effectiveness in the accomplishment of the mandates.**

5. The Administration continues to monitor the redeployment of resources during the financial period to ensure optimum budget implementation, taking into account operational requirements on the ground.

6. **In paragraph 35 of its report, the Board recommended that the Administration:**

(a) **Perform continuous monitoring of the accuracy of data on the funds monitoring tool to ensure continued reliance by users;**

(b) **Continue to increase the number of personnel to be trained in the use of the funds monitoring tool, with special focus on certifying officers at the mission level;**

(c) **Monitor the frequency of use of the funds monitoring tool by registered users and address instances in which the system was not used effectively;**

(d) **Obtain feedback on problems experienced by users of the funds monitoring tool and address those problems accordingly;**

(e) **Establish indicators for peacekeeping operations against which the performance of the missions could be measured in terms of the impact of the revised allotment procedures and the funds monitoring tool.**

7. Further to the information provided in paragraph 36 of the report, it should be noted that with respect to the use of the funds monitoring tool at Headquarters and in field missions, procedures have been established to guarantee the accuracy of the data. The results of the survey conducted in January 2004 to assess the impact of the tool in funds management at the mission level will serve as a guide for the refinement and further development of the tool. A mechanism to measure the frequency of the use of the funds monitoring tool has been developed.

8. With regard to the training of cost-centre managers, training teams with representatives from the Office of Programme Planning, Budget and Accounts and the Department of Peacekeeping Operations will deliver on-site training at peacekeeping missions in April and June 2004. The establishment of benchmarks against which the financial performance of the missions can be measured is also being addressed.

9. **In paragraph 53 of its report, the Board recommended that the Administration:**

(a) **Remedy the factors causing delays in the write-off and disposal process;**

(b) **Continue to identify obsolete and unserviceable property that was no longer useful for possible write-off action;**

(c) **Hand over outstanding "radio system" equipment to the Kosovo Government, with compensation in accordance with financial regulation 5.14;**

(d) **Review its policies on asset management with emphasis on the replacement of assets in a timely manner to avoid the accumulation of ageing equipment at peacekeeping missions;**

(e) **Ensure that disposals are undertaken in the best financial interest of the United Nations.**

10. The comments of the Department of Peacekeeping Operations on recommendations (b) and (e) are reflected in paragraph 54 of the Board's report.

Regarding the disposal of the "radio system", the Department concurs with the recommendation that the system be donated to the Government of Kosovo. The Department will take appropriate action with respect to the disposal of the equipment in accordance with established procedures.

11. **In paragraph 56 of its report, the Board recommended that the Administration continue its efforts to search for avenues to settle amounts owed to Member States that had remained unpaid for long periods of time in the context of its review of the feasibility of consolidating the accounts of peacekeeping operations.**

12. Under the current legislative framework, the Administration does not have the ability to pay long-outstanding amounts due to Member States in individual missions until the corresponding unpaid assessments are settled. It should be noted that the Administration is preparing a further report on the feasibility of consolidating peacekeeping accounts, as requested by the General Assembly in its resolution 57/319 of 18 June 2003. Should the assessments continue to remain unpaid, the Administration's ability to repay long-outstanding amounts due to Member States will depend upon the decision, if any, that the General Assembly may take on the consolidation of peacekeeping accounts.

13. **In paragraph 74 of its report, the Board indicated that the Administration agreed with its recommendation that the full amount of outstanding special assessed contributions needed to be recovered in order to sufficiently fund the strategic deployment stocks programme.**

14. As at December 2003, a total amount of $13,581,780 was outstanding for the strategic deployment stocks programme, of which $13,572,722 was owed by the United States of America. It should be noted that, pursuant to the provisions of General Assembly resolution 56/292 of 27 June 2002, an amount well in excess of the amount outstanding for strategic deployment stocks is being held in suspense accounts for the United Nations Protection Force and the United Nations Mission in Bosnia and Herzegovina pending settlement of the balance of the strategic deployment stocks assessment by the United States.

15. **In paragraph 81 of its report, the Board indicated that the Administration agreed with its recommendation to consider the timely funding and replenishment of strategic deployment stock reserves.**

16. The established procedures relating to pre-mandate commitment authority do not take into account the replenishment of strategic deployment stocks. However, the Department of Peacekeeping Operations, in conjunction with the Office of Programme Planning, Budget and Accounts, will explore the feasibility of implementing the recommendation.

17. **In paragraph 84 of its report, the Board indicated that the Administration agreed with its recommendation that it:**

(a) **Establish written agreements for all shipments already made from the strategic deployment stocks to United Nations system offices other than peacekeeping missions and check all transactions to ensure the proper recording thereof;**

(b) **Record all shipments from strategic deployment stocks in the Integrated Management Information System (IMIS) simultaneously with the**

transfer thereof and reconcile the United Nations Logistics Base at Brindisi database with IMIS data on a periodic basis;

(c) **Submit the reconciliations to the Accounts Division, also indicating replacement values to ensure the capturing of all amounts owed to the strategic deployment stocks reserve before the closing of the accounts at the end of the financial period.**

18. The Administration has established a Strategic Deployment Stocks Finance Working Group comprising representatives of the Logistics Support Division and the Finance Management and Support Services of the Department of Peacekeeping Operations and the Peacekeeping Financing Division and the Accounts Division of the Office of Programme Planning, Budget and Accounts. The Group is currently working to formulate procedures for the administration and financial management of the strategic deployment stocks, and will address the recommendations contained in paragraphs 84 and 91 of the Board's report.

19. **In paragraph 91 of its report, the Board indicated that the Administration agreed with its recommendation that it:**

(a) **Reach a decision on a formally approved method for replenishing strategic deployment stocks consistently by both peacekeeping missions and other United Nations entities and develop standard operating procedures to be implemented in accordance with the approved methodology.**

20. A working group has been formed, comprising representatives of the Office of Programme Planning, Budget and Accounts and the Office of Mission Support of the Department of Peacekeeping Operations, to consider the methods used for replenishing the strategic deployment stocks and related issues. The required accounting procedures are currently being prepared for that exercise.

21. **In paragraph 99 of its report, the Board indicated that the Administration agreed to continue to have a strategic deployment stocks Steering Group to discuss all matters related to strategic deployment stocks represented by all departments that could play a role in the successful implementation of the strategic deployment stocks concept.**

22. The recommendation has been implemented. The Steering Group is made up of representatives from three services under the Logistics Support Division and the United Nations Logistics Base at Brindisi. The Department has expanded the representation to include sections that could play a role in the successful implementation of the strategic deployment stocks concept.

23. **In paragraph 161 of its report, the Board reiterated its previous recommendation that the Administration finalize and expedite the promulgation and implementation of a code of ethics and the signing of declarations of independence after due consideration by all the relevant stakeholders.**

24. The ethical guidelines have been drafted and will be placed on the Procurement Division's Intranet site upon their promulgation. The revised Procurement Manual also contains a chapter entitled "United Nations Staff Ethics and Professional Responsibility". The issue of declaration of independence is under legal review.

25. **In paragraph 163 of its report, the Board recommended that the Administration take steps to ensure that all staff associated with the procurement process be made aware and regularly reminded of the procurement guidelines.**

26. Having noted the Board's observation that not all mission staff were aware of the guidelines that were circulated previously, the Procurement Division immediately re-circulated and re-emphasized the guidelines.

27. **In paragraph 174 of its report, the Board recommended that the Administration ensure that missions utilize procurement plans to facilitate an effective and efficient procurement process.**

28. The Department of Peacekeeping Operations has confirmed that the United Nations Organization Mission in the Democratic Republic of the Congo has prepared its procurement plan for the period 2003/04. The Office of Mission Support will remind the Mission to use the procurement plan to guide its procurement activities during the financial period ending 30 June 2004. The United Nations Mission in Ethiopia and Eritrea will encourage closer collaboration between the requisitioning units and sections to improve the quality of requisitions and also to facilitate the monitoring of the implementation of its procurement plans.

29. **In paragraph 177 of its report, the Board reiterated its previous recommendation that the Procurement Division, in conjunction with the Department of Peacekeeping Operations, identify and evaluate the reasons for the excessive lead times in the procurement cycle and take measures to decrease those lead times to a reasonable level.**

30. While there are many factors beyond the control of the Procurement Division, such as inadequately completed requisitions, prolonged manufacturing time and delays in the receipt of shipping documents and invoices, as recognized by the Board in its report, the Procurement Division will continue to strive, in consultation with the Department of Peacekeeping Operations, to identify and eliminate, to the extent possible, factors that increase procurement lead times.

31. In paragraph 181 of its report, the Board recommended that the Administration take appropriate measures to qualify vendors before their acceptance as a prospective supplier/contractor, in full compliance with the United Nations Procurement Manual.

32. The Procurement Division as part of an inter-agency initiative, is in the process of reviewing the vendor management process. The outcome will be available by the end of the first quarter of 2004. In addition, the Procurement Division has become an active participant in the United Nations Global Marketplace, formerly called the United Nations Common Supplier Database, which has been redesigned to serve as a single gateway for vendors to register with participating organizations of the United Nations system. The Global Marketplace, which became operational effective 1 February 2004, will allow participating organizations to address specific requirements for vendor registration. After a testing period, the Procurement Division will request the field missions to utilize the Global Marketplace for the registration of vendors. The Procurement Division also continues to address the issue of vendor registration in the training and outreach programmes already under way.

33. **In paragraph 192 of its report, the Board reiterated its previous recommendation that peacekeeping missions compile assessments of progress and final performance of vendors and forward them to the Procurement Division in a timely manner in order to prevent situations in which contracts are maintained, extended and/or renewed in the absence of vendor evaluations.**

34. The Procurement Division and the Department of Peacekeeping Operations have instituted a number of initiatives in this respect, including the distribution of vendor performance forms electronically along with each and every purchase order so as to facilitate reporting by the requisitioning offices. The Division will continue its efforts to encourage the requisitioning office to submit those reports in a timely manner, as it is dependent on the cooperation of requisitioning offices to complete the reports. The aforementioned United Nations Global Marketplace, which has the capacity to record vendor performance information from participating organizations, will also be utilized to make performance information readily available to procurement staff in the field as well as at Headquarters.

35. **In paragraph 234 of its report, the Board recommended that the Administration effect the necessary amendments on IMIS to ensure that the leave records for all mission staff could be accurately and efficiently maintained.**

36. Further to the comments of the Department of Peacekeeping Operations as set out in paragraphs 233 and 235 of the Board's report, as at 1 November 2003 IMIS had been implemented in 15 missions. All IMIS users in the missions received thorough and extensive training in the time and attendance programmes. The training sessions focused on such topics as maintenance of accurate information on annual leave, sick leave, night differential, official business, travel days, home and family leave travel and occasional recuperation breaks. The relevant staff were also trained in the IMIS reporting facility to enable them to generate time and attendance reports, which are given to staff members for review and validation of their accuracy.

37. **In paragraph 259 of its report, the Board recommended that the Administration implement measures to ensure that the performance appraisal system process was properly used to identify and evaluate the achievement of training needs, as this would assist the Organization in evaluating whether the competency gaps of staff had been narrowed.**

38. The Performance Appraisal System (PAS) was designed and is administered by the Office of Human Resources Management as a performance management tool. Although the system is not intended to serve as a training evaluation mechanism, the first reporting officers are required to comment on the achievement of the stated staff development goals (see page 22 of "Using PAS: A Guide for Staff and Supervisors"). In effect, the PAS has provided to the extent possible measures requested in the recommendation.

Notes

[1] *Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 5* (A/58/5), vol. II, chap. II.